

FISCAL NOTE
SB 1499 - HB 1326

March 19, 2001

SUMMARY OF BILL:

1. Requires every insurer with direct written premiums to prepare, implement, and maintain an insurance anti-fraud plan outlining specific procedures to prevent and detect fraud. Such plans must be submitted to the Department of Commerce and Insurance for review and determination of compliance with the provisions of this bill. It shall be the responsibility of the Commissioner to assure insurer compliance with such anti-fraud plans.
2. Provides for a penalty of \$500 to \$25,000 per day for insurers failing to comply.
3. Broadens the activities that are criminalized and allows the aggregation of the economic loss. Allows subsequent offenses to be punished as a Class E felony even if the value of loss is less than \$500 and punishes acts of attempts and solicitations the same as completed crimes.
4. Provides for civil remedies by persons injured by a fraudulent or unlawful insurance act.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$221,900 Recurring
\$23,600 One-Time
\$22,900/Incarceration*
Increase State Revenues - Less than \$100,000

Estimate assumes:

- salary, benefits, and operational expenses for 1 attorney, 2 insurance investigators, and 1 administrative services assistant.
- one-time expenses for office furnishings and equipment.
- three Class E felony convictions, one Class E felony conviction elevated to a Class D felony conviction and one Class D felony conviction elevated to a Class C felony conviction.
- fines will be imposed and collected for noncompliance regarding the anti-fraud plans.

*Section 9-4-210, TCA, requires that: *For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated for operating cost, in current dollars, shall be based upon the highest cost of the next 10 years, beginning with the year the additional sentence to be served impacts the correctional facilities population.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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